

THE IRISH NATIONAL STUD COMPANY LIMITED

INTERNAL AUDIT OF TRAVEL & MOTOR EXPENSES

THE IRISH NATIONAL STUD COMPANY LIMITED

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INTRODUCTION

We attended the Irish National Stud on 19th December 2008 to examine and review travel and motor expenses for all staff members.

We reviewed the records and completed various tests which are contained in this report.

We liaised with the following staff member :

Helena Accounts - Purchase Ledger

Procedure for recording travel & motor expenses

1 Mileage expense sheets are completed by staff members when making a claim detailing :

Date of journey

Destination

Mileage

Purpose of trip

The expense sheet is approved by the appropriate head of the department or Chief Executive, John Clarke. Mileage rates used are the Revenue recommended civil service rates.

2 Company credit cards are used by John Clarke, Chief Executive and Julie Lynch, Stallion Nominations Manager. The credit card statement for Mr John Clarke is approved by Lady O'Reilly. The credit card statements for Ms Julie Lynch are approved by the chief executive, John Clarke.

TESTS COMPLETED

- 1** Prepared a summary of the Travel Expenses detailing amounts attributable to Chief Executive, Stallion Nominations Manager and all other staff. This is attached in Appendix 1
We also prepared a summary of Motor Expenses contained in Appendix 1.
The period covered is from 1st January 2008 to 30th November 2008.
We also obtained available credit card statements for December 2008 for Julie Lynch and John Clarke.
- 2** Analysis of staff travel expenses and vouched to supporting expenses sheets
- 3** Analysis of credit card expenses for the Chief Executive and Stallion Nominations Manager and vouched to supporting receipts.
- 4** Contained in Appendices the top 20 expenses for Chief Executive, Stallion Nominations Manager and staff expense claims. Also top 15 expenses re meals for Chief Executive and Stallion Nominations Manager.
- 5** Analysis of motor expenses and verified a sample to supporting invoices

TRAVEL & MOTOR EXPENSES ; INTERNAL AUDIT RESULTS

1 Summary of Travel Expenses and Motor Expenses

A summary of travel expenses is attached in Appendix 1 which shows that the largest portion (at 62%) are the Chief Executive's expenses.

The next largest expense are those of the Staff expense claims which represent (19%) and the remainder of (19%) relate to the expenses of the Stallion Nominations Manager.

The motor expenses summary shows that the biggest expense is in relation to diesel for jeeps and farm. The Chief Executive drives a company car which was crashed and expense for car hire was incurred for four months.

2 Staff Travel Expenses

The majority of these expenses are mileage claims and represent 88% of the total. The employee completes a mileage expense sheet detailing:

- a Date
- b Destination
- c Purpose of trip
- d Mileage

These sheets are then approved by the department head or John Clarke who initials the sheet. Expense sheets are passed to Helena in Purchases for payment. The rates used are civil service rates recommended by Revenue. We checked rates used and they were less than recommended rates at beginning of year but this was rectified during the year and rates now agree to recommended civil service rates. The change of rate was not back dated.

When examining expense sheets on eight occasions (16%), the purpose of the trip was not completed.

Recommendation

We recommend that all expense sheets have purpose of trip completed as this is one of the conditions required to ensure an expense claim is valid. The person approving the claim should ensure this is completed before approval is given.

3 Expenses of Chief Executive

The Chief Executives expenses comprise mainly :

Hotels & Meals	46,927
Flights, car rental & parking	21,713
Currency Exchange & cash withdrawal	8,150

We enquired about the approval process for these expenses and were told that the credit card statements are approved by Lady O'Reilly who initials the statement. One statement was not initialed.

In relation to currency and cash withdrawal a breakdown is given at the end of the year by John Clarke and attached to December statement.

We vouched all statements to supporting receipts but these were not always present. 23% of expenses did not have supporting receipts and of the 77% which had receipts, 32% did not have detailed breakdown as credit card slip was the receipt.

Expenses of Stallion Nominations Manager

The Stallion Nominations Manager's expenses comprise mainly :

Hotels & Meals	14,644
Flights, car rental & parking	5,289

Credit card statements are approved by John Clarke, Chief Executive who initials the statement. Three statements were not initialed out of the total of eight. Receipts for 34% of expenses were not attached to credit card statements.

In examining hotels expenses for both John Clarke and Julie Lynch we did not find any personal expenses in relation to spa or beauty treatments.

Recommendation

*All credit card statements should be signed by appropriate person with approval and dated.
All expenses should be supported by detailed receipts from supplier and attached to monthly credit card statements.*

4 Top 20 Expenses

Top 20 expenses of Chief Executive (Appendix 2)

The main expenses are hotels, meals and flights. We enquired if a diary is kept by John Clarke detailing trips taken during 2008. This is not kept but a list was provided to us which we matched to expenses incurred. Two expenses were classed as sundry and no receipt was available for expense at Johnston Garden Centre.

Mr Clarke's wife travels with him and this has been approved by the directors of the company. Hotels used were 4 and 5 star graded by reference to webpages.

Top 20 expenses of Stallions Nomination Manager (Appendix 3)

The main expenses are hotels, meals and flights. We enquired if a diary is kept by Julie detailing trips taken during 2008. This is not kept but a list was provided to us. We matched this list to expenses incurred. Other expenses which do not relate to travel have been included. Two expenses in relation to personal items were approved by John Clarke, DID Electrical re new TV and damage to car on gravel driveway at Julie's house.

Recommendation

We recommend that a diary is kept detailing date, destination and purpose of trips which is attached monthly to credit card statements and checked by person approving expenses.

We also recommend that any expenses which do not relate to travel should be transferred to appropriate expense heading.

Top 20 expenses of staff members

The main expense is for mileage claims. We checked names of staff members to payroll list and all agreed. Mileage expenses include payments to staff for travelling between different locations on the grounds of the stud which has been approved by the directors.

Other expenses include refund of flight costs to staff employed for foaling season from Australia, advanced driving lessons and flight costs for tourism promotions.

5 Motor Expenses

I vouched a sample of motor expenses to invoices for repairs and servicing which is attached in Appendix 5. I found no errors.

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Appendix 1 - Summary of Travel Expenses

Nominal Total	<u>111,865</u>	%
Staff Travel Expenses	28,179	19%
John Clarke Credit Card	61,546	
John Clarke Expenses	5,278	62%
Julie Lynch Credit Card	14,473	
Julie Lynch Expenses	2,390	19%
Not posted		
Nov-08 John Clarke Credit Card	8,601	
Dec-08 John Clarke Credit Card	17,036	
Nov-08 Julie Lynch Credit Card	4,201	
Dec-08 Julie Lynch Credit Card	6,554	
	<u>148,258</u>	

Summary of Motor Expenses

Nominal Total	<u>36,004</u>	
Services & repairs	1,661	
Tyres	959	
Car Hire	3,768	10%
Petrol - Mr Clarke	1,702	5%
DOE	900	
Diesel for Jeeps & White Diesel	15,769	44%
Marked Gas Oil	10,780	30%
Driver Theory Test	36	
Motor Tax - Mr Clarke	430	
	<u>36,004</u>	

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Appendix 2 Top 20 Credit Card Expenses for Chief Executive - John Clarke

Date	Details	Amount	Receipt	Hotels	Food	Flights	Sundry	Currency Exchange	Purpose of Trip	Rating	Stay
1	21/06/08 Pennyhill Park Ltd	5,382.03	Y	5,382.03					Ascot Races 16/06 - 21/06/08 - 3 rooms	5 star	5 nights B&B Patricia O'Kelly, John Clarke and Julie Lynch
2	30/01/08 Pennyhill Park Ltd	3,190.65	Y	3,190.65					Ascot Races 16/06 - 21/06/08 - deposit	5 star	5 nights B&B Ascot - 7,992, room service 77.92, Bar 288.44,
3	04/12/08 Bedford Lodge Hotel	5,204.22		5,204.22					Tattersalls sales 26/11/08 -03/12/08	4 star	1 room for 8 nights and 1 room (POK) for 6 nights - £7,080, meals £1,371.40, Newspapers £17.60
4	17/10/08 Air France	2,501.17	N			2,501.17			Hong Kong	Business class	
5	17/10/08 Air France	2,501.17	N			2,501.17			Hong Kong	Business class	
6	16/06/08 Intl Currency Exchange	2,433.04	Y					2,433.04	Ascot Races 16/06 - 21/06/08		expenses at Ascot see below
7	04/03/08 Hotel Royal, Deauville	2,451.50	Y	2,451.50					Deauville sales 14/08 - 18/08/08 - 1 room	4 star	4 nights - 2,080, Meals 84, Min Bar 14, Bar 273.5
8	20/05/08 Hotel Villa Arminia -Stresa	1,829.00	Y	1,829.00					Italy - 1 room	5 star	3 nights - 735, Bar 160, Wine 328, Meals 602, Minibar 4
9	08/12/08 Hotel Normandy, Deauville	1,616.50		1,616.50					Deauville sales 05/12/08 - 08/12/08	4 star	2 rooms for 3 nights - 1,416, meals 110.50 & parking 120
10	09/10/08 Bedford Lodge Hotel - Newmarket	1,594.04	Y	1,594.04					October Yearling sales - 1 room	4 star	3 nights B&B - £660, Meals - £580.95, Newspapers £4.50
11	16/10/08 Bedford Lodge Hotel - Newmarket	1,557.48	Y	1,557.48					October Yearling sales - 1 room	4 star	4 nights B&B - £880, Meals £315, Newspapers £3
12	17/09/08 Aer Lingus Dub - Milan	1,497.81	Y			1,497.81			Milan sales 19/09 - 20/09/08	Economy	JC, MC & JL
13	17/08/08 SHCD Restaurant, Deauville	1,450.00	N		1,450.00				Client entertaining -		
14	10/02/08 Lightbridge Ltd - Heritage Hotel	1,405.20	Y	1,405.20					Breeders Awards Dinner - 4 rooms	5 star	1 night - John Clarke, Julie Lynch Pat O'Kelly
15	22/03/08 Johnston Garden Centre	1,404.42	Y c slip				1,404.42		Assorted shrubs, trees for new patio at Tully House	5 star	1 night - 429, Meals 839.01,
16	04/09/08 Hotel Eden Roma	1,288.01	Y	1,288.01					Rome sales	Economy	JC, MC, POK & JL
17	17/07/08 Aer Lingus Deauville	1,188.68	Y			1,188.68			Deauville sales 14/08 - 18/08		JC
18	25/09/08 Air France Dub to Paris	972.67	Y			972.67			Pris de L'Arc de Triomphe 04/10 - 09/10/08	Economy	Given to clients
19	22/06/08 Wonderland Memorabilia	944.54	Y				944.54		Pieture at auction - Peter Savill day		John Clarke & Pat O'Kelly
20	21/02/08 Asol Racecourse	838.34	N		838.34				2 x 5 day badges for Ascot races in June		
16/06/08 Intl. Currency Exchange		41,250.47		25,518.63	2,288.34	8,661.50	2,348.96	2,433.04			
		2,433.04	£1800								

Drinks at races
Hotel tips
Chauffeur Services
Floal

886.39
182.54
1,649.60
-285.49
2,433.04

Appendix 3

Top 20 Credit Card Expenses for Stallion Nominations Manager - Julie Lynch

Date	Details	Amount	Receipt	Hotels	Food	Flights	Motor	Race Tickets	Subs	Currency Exchange	Electrical	Purpose of Trip	Rating
1	27/05/08 Hotel Royal Deauville	2,653.30	Y	2,653.30								Deauville sales	4 star
2	04/12/08 Bedford Lodge	2,631.17	Y	2,631.17								Tattersalls sales	4 star
3	26/04/08 Pennyhill Park Ltd	1,081.90	Y	1,081.90								Ascot races	5 star
4	09/10/08 Bedford Lodge Hotel	868.40	N	868.40								October Yearling sales	4 star
5	18/03/08 Timeform	777.88	N						777.88				1 room - 3 nights
6	15/10/08 D I D Electrical	659.90	N								659.90	Replace TV at Julie's house agreed with John Clarke- TV used in Julie's office as per John Clarke	
7	07/05/08 Aer Lingus	592.74	N			592.74						Italian Derby	Economy
8	23/02/08 USAC-Cafe Bar	590.10	Y		590.10							Client entertaining	February sales at Goffs
9	12/05/08 Hotel Dei Borgognoni-R	581.50	Y	581.50								Italian Derby	4 star
10	15/10/08 Bedford Lodge Hotel	577.96	Y	577.96								October Yearling sales	4 star
11	29/08/08 Aer Lingus	446.87	N			446.87						ITS sales Rome	2 nights B&B and 2 newspapers £3
12	15/02/08 Ascot Racecourse	424.05	N					424.05				Tattersalls sales	Economy
13	11/02/08 Sheehy Motors	420.83	Y				420.83					Ascot races	Tickets paid in advance for June
14	23/04/08 Ascot Racecourse	381.79	Y					381.79				Client entertaining	power steering same damaged on gravel driveway at Julie's house
15	05/03/08 Hanged Mans	360.10	N		360.10							Client entertaining	Tickets - 3 seats in Royal seating 17/06 - 21/06
16	17/08/08 Bistrot 4 Chais	318.50	Y		318.50							Tattersalls sales	Dinner
17	07/02/08 Bedford Lodge Hotel	300.86	N	300.86								Client entertaining	After french sales
18	01/03/08 Vie De Chateaux	278.96	Y		278.96							Newmarket exps.	1 room - 2 nights
19	02/05/08 Currency Exchange	271.70	Y							271.70		Newmarket exps.	February sales at Goffs
20	10/07/08 Currency Exchange	267.44	Y							267.44		Newmarket exps.	Accom 105, Taxi 14, Lunch 8, Racecards 6 and drinks 52
		14,485.95		8,695.09	1,547.66	1,039.61	420.83	805.84	777.88	539.14	659.90		

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Appendix 4 Top 15 Credit Card Expenses - Meals

Chief Executive - John Clarke

Date	Details	Amount	Receipt	Purpose
17/08/08	SHCD Restaurant, Deauville	1,450.00		Client entertaining -
21/02/08	Asot Racecourse	838.34		2 x 5 day badges for Ascot races in June
31/05/08	Pauls Riverside Rest.	680.00	Y	Client entertaining - two Clarkes &
25/02/08	Shelbourne Hotel	560.38	Y	Meeting room & dinner - interviews for advertising agency
10/05/08	Kildare Hotel & County Club	484.70	Y	over to inspect stock and go racing
14/03/08	Guinea Pig Rest - Dalkey	450.00	Y	two developers who were interested in buying stallion shares
22/10/08	Priority Pass Ltd	409.00		Airline Lounges
17/06/08	Ascot Racecourse	397.64		Ticket for Patricia O'Kelly cancelled and refunded on August statement
20/08/08	Hotel Du Vin York	385.27	Y	Client entertaining
29/06/08	Hanged Man's Newbridge	347.80	Y	Lunches Derby Day
19/02/08	Town Bar & Grill Dublin	342.65	Y c slip	4 Italian clients
26/10/08	Cashel Palace	332.35	Y	Client entertaining -
04/04/08	Pauls Riverside Rest. - Kilcullen	330.00	Y	2 meals with and purchase of champagne for winner at next table
06/10/08	Maison Prunier Paris	327.00	Y	Meal with French lawyers after racing
19/01/08	Chimneys Rest. Newmarket	317.39	Y	Catering at Tattersalls December 07 sales
		<u>7,652.52</u>		

Stallions Nomination Manager - Julie Lynch

Date	Details	Amount	Receipt	Purpose
23/02/08	USAC- Café Bar	590.10	Y	Client entertaining after February sales at Goffs
05/03/08	Hanged Mans	360.10	N	Client entertaining -
17/08/08	Bistrot 4 Chats	318.50	Y	Client entertaining after sales - 4 French clients
01/03/08	Vie De Chateaux	278.96	Y	Client entertaining after February sales at Goffs
25/05/08	Hotel Keadeen	163.75	N	Drinks at ITBA awards

25/05/08	USAC- Café Bar		146.60	Y	Client entertaining after Irish Guineas
28/06/08	USAC- Café Bar		143.10	Y	Client entertaining after Derby races
24/04/08	USAC- Café Bar		124.95	N	Client entertaining after races
25/01/08	USAC- Café Bar		124.00	N	Client entertaining
11/05/08	Ristorante's Andrea	Rome	106.50	Y	Client entertaining
03/10/08	Browns Barn		106.00	Y	Client entertaining after Goffs sales - 2 clients
29/04/08	Kingsland Chinese Restaurant		95.50	Y	Client entertaining after races
12/02/08	O'Brien Lynch Catering		87.00	Y	Client entertaining after February sales at Goffs
11/07/08	Pizza Express		85.07	Y	Client entertaining at Newmarket
12/07/08	F & B Deli		76.19	Y	Client entertaining -
			<u>2,806.32</u>		

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Appendix 5

Top 20 Staff Travel Expenses

	Date	Staff Member	Detail	€	Expense Sheet	Approved	By	Mileage Cost	Hotels & Meals	Flights	Parking	Taxi	Sundry	Purpose	Mileage Rate	Car	Check Rate	
1	14/06/08	A Bolland	Travel Jan-May	3,791.64	Y	Y	John Clarke	3,791.64						around stud & various	1.2601	Hyundai 2lt	Y	
2	24/08/08	A Bolland	Travel June-Aug	2,188.62	Y	Y	John Clarke	2,188.63						around farm	1.2673	Hyundai 2lt	Y	
3	01/01/08	H Boyce	Travel 2007	1,559.48	Y	Y	John Clarke	1,559.48						stud, Weatherbys, bank etc	1.0823	Opel Astra 1.6		
4	01/01/08	E Murphy	Travel Jan-Jul 06	1,203.48	Y	Y	John Clarke	1,203.52						around yard	1.0823	VW Bora 1.9		
5	29/08/08	F O'Connell	Dub/Chicago/San D	1,190.00	Y	Y	A. McCreery			1190				Sales Blitz West Coast US				
6	30/08/08	FBD	Travel Insurance	1,173.00		Y	John Clarke						1,173.00					
7	30/04/08	A McCreery	Travel Jan-April	1,018.44	Y	Y	John Clarke	1,018.44						Meeting suppliers	1.0823	Hyundai Tucson 2.4 I		
8	31/01/08	B Collison	Travel January	774.92	Y	Y	John Clarke	774.93						Horse sales & yard	1.0823	Hyundai Santa Fe 2.0		
9	20/05/08	J Bernie	Flight Refund	725.00	Y	Y	John Clarke			725.00				Flights from Australia				
10	22/02/08	F O'Connell	Travel February	721.66	Y	Y	A. McCreery	350.67	106.83	178	86.17			Meetings	1.0823			
11	20/05/08	M Meila	Flight Refund	625.00		Y	John Clarke			625.00				Flights from Australia		foaling season		
12	28/02/08	F O'Connell	Dublin / Abu Dhabi	604.00	Y	Y	A. McCreery			604				Dub to Abu Dhabi - tourism promotion				
13	28/08/08	F O'Connell	Travel August	585.41	Y	Y	A. McCreery	433.42	104			48		RDS Horse Show	1.2673	Toyota Avenis 1.6	Y	
14	30/04/08	F O'Connell	Tourism	576.70	Y	Y	A. McCreery	537.90	24.8				14	Meetings	1.2673	Toyota Avenis 1.6		
15	19/08/08	B Collison	Travel Apr-May	544.93	Y	Y	John Clarke	544.94						around yard	1.2673	Santa Fe 2lt	Y	
16	16/10/08	Driving L	Trailer Lessons	540.00	Y	Y	John Clarke							540 Advanced Driving lessons		Brian,Gerry,Davy		
17	19/08/08	B Collison	Travel Mar-April	509.45	Y	Y	John Clarke	509.45						around yard	1.2673	Santa Fe 2lt	Y	
18	28/08/08	F O'Connell	Travel July	503.82	Y	Y	A. McCreery	378.92	124.9					Meetings	1.2673	Toyota Avenis 1.6	Y	
19	18/08/08	B Collison	Travel May-June	494.24	Y	Y	John Clarke	494.25						around yard	1.2673	Santa Fe 2lt	Y	
20	08/10/08	E Kavanagh	Travel Jul-Aug	449.89	Y	Y	John Clarke	449.89						admin travel	1.2673	Rav 4	Y	
				19,779.68														
				14,236.08	360.53	3,322.00	134.17	14.00	1,713.00									

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Appendix 6 - Motor Expenses Test

Date	Details	Amount	Service & Repairs	Tyres	Car Hire	Petrol	Vouched to Invoices
28/02/08	Service on Volvo	603.08	603.08				Volvo S80 01KE7964
29/02/08	Fitzpatrick's Garage	207.84				207.84	Feb 08 petrol re John Clarke
26/02/08	Tyres	193.35		193.35			Van tyres
14/03/08	Tyres	27.83		27.83			Van tyres
31/03/08	Fitzpatrick's Garage	229.63				229.63	Mar 08 petrol re John Clarke
02/04/08	Car Hire for Mr Clarke	1,044.20			1,044.20		Hire of Volvo V70 4 wks & salvage car
30/04/08	Fitzpatrick's Garage	204.78				204.78	Apr 08 petrol re John Clarke
13/05/08	Tyres	322.52		322.52			Van & 4x4
15/05/08	Hire of Vehicle for April	908.00			908.00		Hire of 07KE10951
31/05/08	Fitzpatrick's Garage	131.33				131.33	May 08 petrol re John Clarke
24/06/08	Hire of Vehicle for June	908.00			908.00		Hire of 07KE10951
30/06/08	Fitzpatrick's Garage	149.30				149.30	Jun 08 re John Clarke
31/07/08	Tyres	303.11		303.11			Citroen Van
31/07/08	Fitzpatrick's Garage	292.52				292.52	Jul 08 petrol re John Clarke
13/08/08	Car Hire for Mr Clarke	908.00			908.00		Hire of 07KE10951
31/08/08	DOE & Repairs	168.82	168.82				Ford Transit 03D69028
31/08/08	Fitzpatrick's Garage	249.27				249.27	Aug 08 petrol re John Clarke
30/09/08	Fitzpatrick's Garage	237.32				237.32	Sept 08 petrol re John Clarke
		<u>7,088.90</u>	<u>771.90</u>	<u>846.81</u>	<u>3,768.20</u>	<u>1,701.99</u>	